

## Message Text

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ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 ABF-01 FS-01 AID-05 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC PRIORITY 271

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EO 11652: NA

TAGS: EGEN EFIN ETRD EG

SUBJECT: ACCOMMODATION EXCHANGE RATE

REF: CAIRO 2199

1. GOE ANNOUNCED FEBRUARY 19 REVISION OF TOURIST OR INCENTIVE EXCHANGE RATE TO \$1 EQUALS 64.5 PIASTERS, OR LE 1 EQUALS \$1.55 (REFTEL). ACCORDINGLY, UNDER PROVISIONS OF 4FAM361.4, EMBASSY IS RAISING ITS ACCOMMODATION EXCHANGE RATE FOR AMERICAN TOURISTS, US PERMANENT RESIDENTS AND (TEMPORARILY) US GOVERNMENT STAFF TO SAME FIGURE EFFECTIVE FEB. 20.

2. PREVIOUSLY-USED ACCOMMODATION EXCHANGE WAS \$1 EQUALS 57 PIASTERS FOR TOURISTS AND US RESIDENTS AND \$1 EQUALS 59 PIASTERS FOR USG EMPLOYEES. OTHER RATE CURRENTLY BEING USED BY EMBASSY FOR OFFICIAL VOUCHER PAYMENTS IS SET AT \$1 EQUALS 55 PIASTERS. THIS RATE IS UNRELATED TO TOURISTS AND USG EMPLOYEE ACCOMMODATION EXCHANGE RATE AND HAS NOT BEEN REVISED AT THIS TIME.

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3. TOURIST/PERMANENT RESIDENT RATE HAS BEEN, AND

OF COURSE REMAINS, COMPARABLE TO GOE'S LEGA INCENTIVE EXCHANGE RATE, BUT USG EMPLOYEE RATE FORMERLY USED EVIDENTLY WAS ESTABLISHED WITHOUT REGARD TO EIGHER INCENTIVE OR OFFICIAL EXCHANGE RATES (LATTER REMAINS AT \$1 EQUALS 39 PIASTERS, BUT IS VIRTUALLY ACADEMIC FOR PURPOSES OF EMBASSY OPERATIONS).

4. NOTWITHSTANDING REVISED INCENTIVE RATE, WHICH IMPROVES ACCOMMODATION EXCHANGE AVAILABILITY TO EMBASSY STAFF AND TOURIST/RESIDENTS, EMBASSY HAS BECOME CONCERNED ABOUT EQUITY OF AND RATIONALE FOR OUR ACCOMMODATION DEALINGS. MANY CHANGES HAVE OCCURRED ON ECONOMIC SCENE IN RECENT YEARS. NOT LEAST OF THESE HAS BEEN INCREASING PREVALENCE OF FREE, OR BLACK MARKET HARD CURRENCY TRANSACTIONS AS AN OUTGROWTH OF GOE'S OPEN DOOR ECONOMIC POLICY, TRANSACTIONS WHICH UNDOUBTEDLY MORE ACCURATELY REFLECT TRUE EXCHANGE WORTH OF STILL OVERVALUED EGYPTIAN POUND. (GOE'S REVISION OF INCENTIVE RATE OBVIOUSLY IS EFFORT TO PEG FOREIGN CURRENCY VALUE OF POUND TO MORE CLOSELY TO REALISTIC LEVEL). FREE MARKET PRICES QUOTED FOR THE DOLLAR VARY FROM DAY TO DAY, BUT FOR SOME MONTHS HAVE FLUCTUATED AROUND 75 PIASTERS TO \$1, WITH HIGH QUATATION OF 80 PIASTERS. THESE EXCHANGE RATES ARE MATTERS OF GENERAL KNOWLEDGE IN CAIRO AND ALEXANDRIA, AND TRANSACTIONS THEREUNDER HAVE BEEN OPENLY CONDUCTED THROUGH OFFICIALLY-SANCTIONED EXCHANGE DEALERS IN PORT SAID SINCE THAT CITY WAS CREATED A FREE ZONE IN ITS ENTIRETY ON JANUARY 1, 1976.

5. EMBASSY BELIEVES SPREAD SHOULD BE ESTABLISHED BETWEEN EXCHANGE RATE AVAILABLE TO TOURIST/RESIDENT AND TO USG EMPLOYEES, AS HAS BEEN CASE SINCE 1973. EMBASSY FURTHER SUGGESTS THAT CLARIFICATION OF RATE USED TO MEET OFFICIAL OBLIGATIONS (I.E. PT 55 RATE) IS NEEDED. REVISION UPWARD OF OUR USG EMPLOYEE RATE WOULD BE FULLY CONSISTENT WITH OUR POLICY OF ENCOURAGING MAXIMUM USE OF USG-OWNED POUND ACCOUNTS, WHICH NOW STAND AT SLIGHTLY UNDER LE 170 MILLION. BASED ON LIMITED OFFICIAL USE

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1975 VOLUME OF EMPLOYEE TRANSACTIONS, A RATE IMPROVED TO EXTENT RECOMMENDED IN IMMEDIATELY FOLLOWING PARAGRAPH SHOULD INCREASE OUR UTILIZATION OF ACCOUNT FOR THAT PURPOSE ALONE BY AT LEAST LE 100,000. MODIFICATION OF RATE USED FOR PAYMENT OF VOUCHERS OBVIOUSLY WOULD HAVE SAME EFFECT, AND WOULD AT SAME TIME RESULT IN A REDUCTION IN REAL COST TO USG OF LE-FUNDED PROGRAMS IN EGYPT.

6. OUR RECOMMENDATION, THEREFORE, IS THAT ACCOMMODATION EXCHAGE RATE FOR USG EMPLOYEES BE SET IMMEDIATELY AT 70 PIASTERS TO DOLLAR AND THAT OFFICIAL VOUCHER EXCHANGE RATE (NOW .55) ALSO BE REVISED UPWARD IN VIEW OF THE ADJUSTMENT OF THE TOURIST RATE UNFORTUNATELY, ALL EMBASSY RECORDS WERE BURNED DURING OCTOBER 1973 WAR AND WE ARE UNAWARE HERE OF ORIGIN OF DIFFERENCE THAT HAS EXISTED HERETOFORE. WE NOTE FROM FAM CITED ABOVE THAT EXCHANGE TRANSACTIONS IN EXCESS CURRENCY COUNTRIES "ARE MADE AT THE BEST RATE OF EXCHANGE LEGALLY AVAILABLE WITHIN THE COUNTRY.. UNLESS SPECIFICALLY INSTRUCTED OTHERWISE BY THE TRASURY DEPARTMENT." PLEASE ADVISE.  
EILTS

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